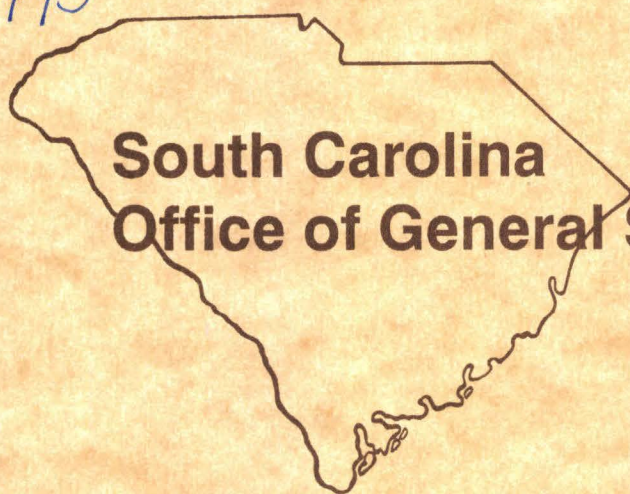


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**South Carolina  
Office of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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LEXINGTON & RICHLAND COUNTIES  
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STATE DOCUMENTS JULY 1, 1999 – DECEMBER 31, 2000  
DATE



STATE OF SOUTH CAROLINA  
**State Budget and Control Board**  
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DIRECTOR

MATERIALS MANAGEMENT OFFICE  
1201 MAIN STREET, SUITE 600  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0600  
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

February 15, 2001

Mr. George N. Dorn, Jr., Director  
Office of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear George:

I have attached the School District Five of Lexington and Richland Counties' procurement audit report and recommendations made by the Office of Audit and Certification. The audit was performed in accordance with Section 11-35-70 of the Consolidated Procurement Code. Since no action is required by the Budget and Control Board, I recommend the report be presented as information.

Sincerely,

R. Voight Shealy  
Materials Management Officer

/jl

**SCHOOL DISTRICT FIVE OF LEXINGTON AND RICHLAND  
COUNTIES**

**PROCUREMENT AUDIT REPORT**

**JULY 1, 1999 - DECEMBER 31, 2000**

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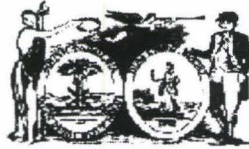
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

January 19, 2001

Mr. R. Voight Shealy  
Materials Management Officer  
Office of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the School District Five of Lexington and Richland Counties for the period July 1, 1999 through December 31, 2000. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to Section 11-35-70 of the South Carolina Consolidated Procurement Code and the District's procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the School District Five of Lexington and Richland Counties is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are

required to assess the expected benefits and related costs of control procedures.

The objectives of a system are to provide reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose minor conditions enumerated in this report which we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the School District Five of Lexington and Richland Counties in compliance with Section 11-35-70 of the South Carolina Consolidated Procurement Code, the District's Code and ensuing regulations.

Sincerely,

A handwritten signature in dark ink, appearing to read "Larry G. Sorrell", is written over the printed name.

Larry G. Sorrell, Manager  
Audit and Certification



## INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the School District Five of Lexington and Richland Counties. Our on-site review was conducted November 21, 2000 through December 15, 2000 and was made under Section 11-35-70 of the South Carolina Consolidated Procurement Code.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the District's Procurement Code and Internal Procurement Operating Procedures Manual, were in compliance with existing laws and regulations and with accepted public procurement standards.

Additionally, our work was directed toward assisting the District in promoting the underlying purposes and policies of the Code, which we believe to be appropriate for all governmental bodies, as outlined in Section 11-35-20, which include:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State
- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process

## SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the School District Five of Lexington and Richland Counties and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period July 1, 1999 through December 31, 2000 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) All sole source, emergency and trade-in sale procurements for the period July 1, 1999, through December 31, 2000
- (2) Procurement transactions from the period July 1, 1999 through December 31, 2000, as follows:
  - (a) Fifty-one payment transactions greater than \$1,500 each reviewed for competition and compliance to the Code
  - (b) A block sample of one thousand numerical purchase orders issued in October of 2000 reviewed for order splitting and favored vendors
  - (c) An additional review of ten formal solicitations with awards exceeding \$10,000 each
- (3) Five permanent improvement projects and two professional services contracts for approval and compliance with the South Carolina School Facilities Planning and Construction Guide and the District's Code
- (4) Internal procurement procedures manual
- (5) Minority Business Enterprise Plan and report for the audit period
- (6) Surplus property procedures
- (7) File documentation and evidence of competition



## RESULTS OF EXAMINATION

In accordance with Section 11-35-70 of the South Carolina Consolidated Procurement Code, the District has developed and maintained what we consider to be a professional and efficient procurement system. District procurement personnel should be commended for their effort. We did note the following two minor items which should be addressed by the procurement staff.

### Bid Files Lacked Appropriate Documentation

Three bid files did not contain documentation to support the actions taken.

<u>Solicitation Number</u>	<u>Opening Date</u>	<u>Amount</u>	<u>Description</u>
SB2000-44	12/17/99	\$22,687	Wireless LAN equipment
RFQ2000-20	9/03/99	5,459	Office and art supplies
SB2000-100	7/13/00	6,978	Band instruments

Due to obvious unit cost errors for items in SB2000-44 and RFQ2000-20, the District allowed the low bidders to withdraw their bids. Only a note on each tabulation sheet prepared by the Purchasing Officer supported the withdrawals. Two instruments in solicitation SB2000-100 were re-bid after the statement of award was issued. However, the original statement of award for the two instruments was not officially rescinded.

Section 2-102(8) of the District's Code states in part, "Correction or withdrawal of inadvertently erroneous bids before or after award based on bid mistakes may be permitted where appropriate. A bidder must submit a written request to withdraw a bid to the school District. Each written request must document the fact that the bidder's mistake is clearly an error that will cause him substantial loss. All decisions to permit the correction or withdrawal of bids or to cancel awards of contracts based on bid mistakes shall be supported by a written determination."

We recommend that all bid files containing a withdrawal of a bid be supported by a signed written request from the bidder in compliance with the Code. Also, all actions regarding a change of award or reasons for re-bidding should be documented in the file to satisfy external audit.

### Improper Use of Work Orders

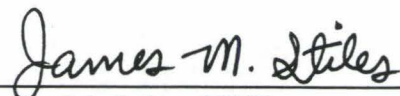
During our review of work orders, we noted several items that were procured in violation of the internal policy. Tire replacements, miscellaneous painting and minor construction were processed through the work orders in lieu of the purchase order system. Section 8.4 of the internal policy requires that work orders be used when the cost of routine repairs or services cannot be determined prior to the work being performed. In all these cases, the price could have been pre-determined. The District is implementing a procurement card program that will help eliminate items being processed on work orders.

We recommend the District review items purchased on work orders more carefully and process items in accordance with the internal policy.

## CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place School District Five of Lexington and Richland Counties in compliance with the District's Procurement Code and ensuing regulations.

Subject to this corrective action, we recommend that School District Five of Lexington and Richland Counties be allowed to continue procuring all goods and services, consultant services, information technology, and construction in accordance with Section 11-35-70 of the South Carolina Consolidated Procurement Code.



James M. Stiles, CPPB  
Audit Manager



Larry G. Sorrell, Manager  
Audit and Certification





February 13, 2001

Mr. Larry G. Sorrell, Manager  
Audit and Certification  
1201 Main Street, Suite 600  
Columbia SC 29201

Dear Larry:

I have received the draft audit report for District 5 and concur with the findings of the audit. Dan Chandler has also reviewed the draft and he agrees that it will not be necessary to hold an exit conference.

I will forward a copy to the Board of Trustees as soon as I receive the final report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joe Tommie", is written above the printed name.

Joe Tommie, CPPO  
Coordinator of Purchasing

JT:ao

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**State Budget and Control Board**  
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R. VOIGHT SHEALY  
MATERIALS MANAGEMENT OFFICER

February 15, 2001

Mr. R. Voight Shealy  
Materials Management Officer  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from the School District Five of Lexington and Richland Counties of our audit report for the period of July 1, 1999 – December 31, 2000. Also we have followed the District's corrective action during and subsequent to our fieldwork. We are satisfied that the District has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the District be allowed to continue operating under its own procurement code as authorized by Section 11-35-70 of the South Carolina Consolidated Procurement Code.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager  
Audit and Certification

LGS/jl

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